

Extension of Sunset for the Big Sky on the Big Screen Act
Betsy Baumgart – Speaking Points
House Appropriations - HB 163 Hearing 2/9/09.

EXHIBIT 2

DATE 2/9/09

HB 163

Good afternoon, Mr. Chairman, (Sesso) and members of the committee. For the record, my name is Betsy Baumgart. I am the Administrator for the Dept of Commerce – Montana Promotion Division's Film Office. I would like to introduce Sten Iverson, the Manager of the MT Film Office who is also here this morning. Mr. Chairman, with your permission, I would like to distribute some handouts as well as provide my speaking notes to the Secretary.

The Montana film production incentive program, which we refer to as Big Sky on the Big Screen Act, was enacted by the 2005 Legislature.

This incentive program offers a tax credit to film producers who hire Montana labor and talent, and a tax credit on expenditures for money spent with Montana service providers such as hotels, restaurants, dry cleaners, security services, but also with hundreds of other businesses that supply products such as lumber yards, antique shops, hardware stores and yes even porta-potty suppliers.

The top blue brochure is a detailed explanation of the incentive program.

Today, we are not asking for any increases, but merely the opportunity to allow this successful program to continue. The Big Sky on the Big Screen Act faces a sunset date of December 31 2009. HB 163 extends that sunset for another five years to 2015.

The Big Sky on the Big Screen Act has done what it was intended to do! It's allowed Montana to compete for this lucrative business. Since its passage in 2005, this legislation has created jobs, brought new money to the state, generated taxes, AND has enhanced Montana's image by placing her on the big and small screens worldwide.

I'd like to refer you to the Economic Impact Fact Sheet.

The first full year with this incentive, film production increased in Montana by 34% from \$5.2 million in 2005 to \$7.8 million in 2006.

In 2007, the second year, we saw a healthy 12% increase with total economic impact at \$7.8 million.

The total economic impact to Montana's economy since the programs passage has been \$38 million dollars.

This legislation has directly generated an additional 183 FTE's annually for Montanans. This industry and the new money they bring into our state have put thousands of additional Montanans to work.

Overall there have been 66 productions certified through our office, and 43 of these, 63% have been Montana production companies.

If you refer to the backside of this handout, we have listed the various businesses that are positively affected by film production in Montana. You can see that the film business touches a wide range of businesses.

Next, I'd like to draw your attention to the "2008 Production Report"

This handout lists the various productions we had in Montana last year. You can see that in addition to feature films, there are a lot of small productions. We had a total of 98 productions last year. The beauty of film production is it touches all areas of the state, the larger cities as well as the smaller towns. This business is also not dependent of one season, but comes through the year.

We've listed the six feature productions we had this past year.

The remake of Jack London's "Call of the Wild" was shot in the small communities of Lincoln and Phillipsburg, leaving close to a half a million dollars in a few weeks time.

Not every production is a feature film, there were 24 national and regional commercials shot in all corners of the state and many of these commercials, such as the Ford commercial shot in Bozeman and the Bosch commercial shot in the Paradise Valley spend over \$50,000 a day while shooting in these areas.

Film production takes pictures and leaves money. A film production coming to your town is very similar to setting up a small to medium manufacturing plant. They hire employees, utilize local vendors, build a product, and all without impacting the local infrastructure. (No new schools or streets to build).

Now that the program's been in existence for a few years, we have some data on the tax implications.

Referenced the Tax Impact Study of the feature film "A Plumm Summer"

This tax analysis was done through the Census and Economic Information Center. This is an analysis on a feature film "A Plumm Summer" that was shot in Montana the summer of 2006. Basically it shows that the production company paid more in taxes than they earned in tax credit, demonstrating a positive tax impact for Montana of \$17,200.

The backside of this handout shows the aggregated tax credit issued per year. This data was compiled by the Department of Revenue.

And, finally I'd like to refer you to the US Domestic Production Incentives Comparison Report.

When the 2005 Legislature passed the original film incentive bill, Montana was one of 10 states with this type of incentive. Currently, 42 other states have programs similar or more aggressive than Montana. If this bill is allowed to sunset, Montana would fall to 43rd place in the nation. Montana would no longer be competitive in attracting the film industry.

Finally, I'd like to remind you that Montana does not issue a dime of tax credit until these companies get certified by the Department of Commerce, set up a local office, hire Montana labor, spend money with Montana businesses, report their expenditures backed up with receipts, have their reports audited by the Department of Revenue, pay an administrative fee, and file a Montana tax return.

In order for Montana to continue to attract this clean well paying industry we need this incentive package. I respectfully request that you support HB 163, the extension of the sunset on this successful program.

I'd like to thank you for your time and I would be happy to answer any questions you may have.